S6615-2

OCTOBER 1990

OREGON LABOR TRENDS

State of Oregon • Employment Division • Department of Human Resources

INDICATORS

UNEMPLOYMENT RATE

Oregon (Seas. Adj.)

Sept.	1990	5.9
Aug.	1990	5.5
Sept.	1989	5.7

United States (Seas. Adj.)

Sept.	1990	5.7
Aug.	1990	5.6
Sept.	1989	5.3

WAGE AND SALARY EMPLOYMENT INDEX

Oregon (1977=100)

Sept.	1990	133.0
Aug.	1990	133.7
July	1990	133.0
June	1990	132.7
May	1990	133.5

PRODUCTION WORKER AVERAGE HOURLY EARNINGS

Oregon

Aug.	1990	$10.96
July	1990	$11.18
Aug.	1989	$10.56

PRODUCTION WORKER AVERAGE WEEKLY HOURS

Oregon

Aug.	1990	39.4
July	1990	38.6
Aug.	1989	39.7

CONSUMER PRICE INDEX (CPI)

1982-84=100
ALL URBAN CONSUMERS

Portland-Vancouver	
Jan.-June 1990	124.9
Yearly change	4.7%
Annual Average 1989	120.4
Yearly change	5.0%
United States	
Sept. 1990	132.7
Yearly change	6.2%
Annual Average 1989	124.0
Yearly change	4.8%

Portland Hotline 326-4132

"IS IT TIME TO USE THE R-WORD?"

Graham Slater

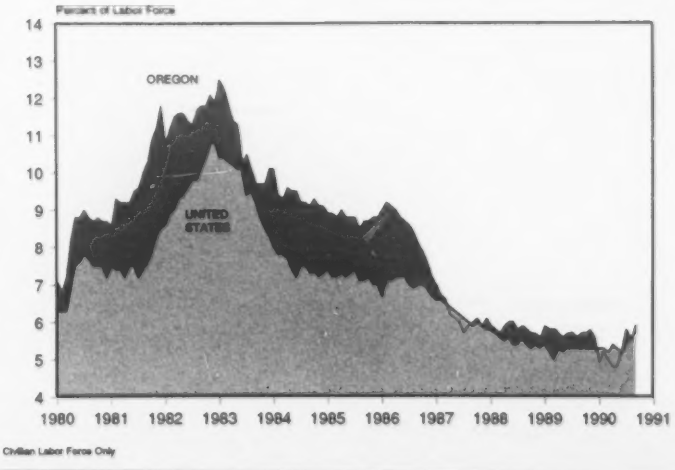
Let me start by thanking the radio news editor who gave me this month's title. His question reflected the thoughts and concerns of many Oregonians after a week of troubling economic events. The early-October economic news included an increase in the U.S. unemployment rate, a 78-point plunge in the Dow Jones Industrial Average, total chaos and confusion regarding the federal budget, continuing increases in wholesale and retail oil prices, a poor showing from retail sales in September, and several layoff announcements in Oregon, especially in the lumber and high-tech industries.

Given this background, the four-tenths increase in Oregon's seasonally adjusted unemployment rate between August and September confirmed, for some, that the time for "the R-word" had arrived. The 5.9% rate is not itself an indicator of an economy in deep trouble. However, Oregon's unemployment rate has now increased substantially in three of the past four months, a pattern unprecedented since late 1981, when this state was heading toward the worst of the 1981-82 recession.

Let's take a moment to address the editor's question -- are we in a recession? While some are starting to believe that we have indeed crossed over from a slowdown to a recession, my response would be, "no, not at this time." Here's why:

- While there has certainly been a slowing in economic growth, we have not registered consistent job losses across the Oregon economy. I am using several graphs to illustrate various points for this article. The first of these shows clearly that wage and salary employment has grown consistently over the past five years, but has basically been on a plateau for the past seven months. (Note that the 1990 data on this graph have been adjusted to remove the misleading effects of the U.S. Census Bureau employment and the recent retail clerks' strike.) The important point is that employment has not actually turned down at this time.

SEASONALLY ADJUSTED UNEMPLOYMENT RATES
OREGON AND THE UNITED STATES



OREGON NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	SEP. 1/ 1990	AUG.2/ 1990	SEP. 1989	CHANGE FROM AUG. 1990	CHANGE FROM SEP. 1989
TOTAL 5/	1,263,000	1,259,400	1,231,000	3,600	32,000
WAGE & SALARY EMPLOYMENT INDEX 6/	133.0	133.7	129.6	XXX	XXX
GOODS PRODUCING INDUSTRIES 7/	282,000	285,300	278,200	- 3,300	3,800
SERVICE PRODUCING INDUSTRIES 8/	981,000	974,100	952,800	6,900	28,200
TOTAL MANUFACTURING	226,700	230,300	226,900	- 3,600	- 200
DURABLE GOODS	159,900	161,500	162,000	- 1,600	- 2,100
LUMBER & WOOD PRODUCTS	64,800	65,600	68,800	- 800	- 4,000
LOGGING	12,100	12,000	12,900	100	- 800
SAWMILLS	21,100	21,300	23,200	- 200	- 2,100
VENEER & PLYWOOD	13,800	14,400	15,900	- 600	- 2,100
MILLWORK & STRUCTURAL WOOD	11,100	11,300	10,500	- 200	600
MOBILE HOMES	2,200	2,100	1,900	100	300
OTHER WOOD PRODUCTS	4,500	4,500	4,400	0	100
FURNITURE AND FIXTURES	3,200	3,100	3,100	100	100
STONE, CLAY, GLASS & CONCRETE	4,600	4,600	4,400	0	200
PRIMARY METALS	11,800	11,900	11,200	- 100	600
BLAST FURNACES, IRON & STEEL 9/	6,000	6,100	5,700	- 100	300
NONFERROUS METALS 9/	5,800	5,800	5,500	0	300
FABRICATED METALS	12,000	12,100	12,100	- 100	- 100
FABRICATED STRUCTURAL METALS	5,200	5,300	5,000	- 100	200
OTHER FABRICATED METALS	6,800	6,800	7,100	0	- 300
MACHINERY	17,600	17,700	17,900	- 100	- 300
OFFICE & COMPUTING MACHINES	4,700	4,700	4,800	0	- 100
OTHER MACHINERY	12,900	13,000	13,100	- 100	- 200
ELECTRONIC & OTHER ELECTRIC EQUIPMENT 9/	17,500	17,400	16,000	100	1,500
TRANSPORTATION EQUIPMENT	13,500	14,000	12,100	- 500	1,400
INSTRUMENTS & RELATED PRODUCTS 9/	11,100	11,200	12,400	- 100	- 1,300
MISCELLANEOUS MANUFACTURING	3,800	3,900	4,000	- 100	- 200
NONDURABLE GOODS	66,800	68,800	64,900	- 2,000	1,900
FOOD & KINDRED PRODUCTS	31,000	32,700	29,300	- 1,700	1,700
CANNING & PRESERVING	19,700	21,300	18,400	- 1,600	1,300
OTHER FOOD PRODUCTS	11,300	11,400	10,900	- 100	400
TEXTILE MILL PRODUCTS	1,700	1,700	1,800	0	- 100
APPAREL	2,600	2,600	2,700	0	- 100
PAPER & ALLIED PRODUCTS	9,200	9,400	9,200	- 200	0
PRINTING & PUBLISHING	14,100	14,100	13,700	0	400
CHEMICALS & ALLIED PRODUCTS	2,300	2,400	2,300	- 100	0
PETROLEUM & ASPHALT PRODUCTS	500	500	500	0	0
RUBBER & PLASTIC PRODUCTS	4,900	4,900	4,900	0	0
LEATHER PRODUCTS	500	500	500	0	0
TOTAL NONMANUFACTURING	1,036,300	1,029,100	1,004,100	7,200	32,200
MINING & QUARRYING	1,600	1,500	1,600	100	0
CONSTRUCTION	53,700	53,500	49,700	200	4,000
BUILDING CONSTRUCTION	13,000	12,900	12,200	100	800
HEAVY CONSTRUCTION	7,300	7,300	7,200	0	100
SPECIAL TRADE CONTRACTORS	33,400	33,300	30,300	100	3,100
TRANSPORTATION, COMMUNICATIONS, & UTILITIES	64,300	64,600	64,200	- 300	100
TRANSPORTATION	43,100	43,000	42,900	100	200
RAILROAD	3,800	3,800	3,900	0	- 100
TRUCKING & WAREHOUSING	24,800	25,000	24,800	- 200	0
OTHER TRANSPORTATION	14,500	14,200	14,200	300	300
COMMUNICATIONS	12,300	12,400	12,600	- 100	- 300
UTILITIES	8,900	9,200	8,700	- 300	200
TRADE	329,700	333,800	319,400	- 4,100	10,300
WHOLESALE TRADE	84,200	84,300	81,000	- 100	3,200
DURABLE GOODS	48,000	48,700	46,400	- 700	1,600
MACHINERY, EQUIPMENT, & SUPPLIES	11,200	11,400	10,900	- 200	300
OTHER DURABLE GOODS	36,800	37,300	35,500	- 500	1,300
NONDURABLE GOODS	36,200	35,600	34,600	600	1,600
GROCERIES & RELATED PRODUCTS	14,800	14,000	14,200	800	600
OTHER NONDURABLE GOODS	21,400	21,600	20,400	- 200	1,000
RETAIL TRADE	245,500	249,500	238,400	- 4,000	7,100
BUILDING MATERIALS & GARDEN SUPPLIES	9,800	9,800	8,700	0	1,100
GENERAL MERCHANDISE	30,700	30,800	30,000	- 100	700
FOOD STORES	42,900	47,300	40,400	- 4,400	2,500
AUTO DEALERS & SERVICE STATIONS	29,400	29,800	29,400	- 400	0
APPAREL & ACCESSORY STORES	9,900	10,400	10,000	- 500	- 100
FURNITURE & HOME FURNISHINGS	9,900	9,700	9,500	200	400
EATING & DRINKING PLACES	89,500	88,600	86,300	900	3,200
MISCELLANEOUS RETAIL	23,400	23,100	24,100	300	- 700
FINANCE, INSURANCE, & REAL ESTATE	78,000	77,900	76,000	100	2,000
FINANCE	28,300	28,300	28,000	0	300
INSURANCE	22,200	22,300	22,200	- 100	0
REAL ESTATE	27,500	27,300	25,800	200	1,700
SERVICES	295,000	294,600	285,900	400	9,100
HOTELS & OTHER LODGING PLACES	20,500	21,500	19,300	- 1,000	1,200
PERSONAL SERVICES	11,000	11,000	10,900	0	100
BUSINESS SERVICES	48,200	49,200	48,900	- 1,000	- 700
AUTOMOTIVE & MISC. REPAIR SERVICES	15,600	15,800	15,500	- 200	100
MOTION PICTURES & AMUSEMENTS	13,800	14,400	14,500	- 600	- 700
HEALTH SERVICES	88,300	87,400	83,300	900	5,000
LEGAL SERVICES	9,000	9,200	8,700	- 200	300
PRIVATE EDUCATION	15,200	11,600	14,300	3,600	900
SOCIAL SERVICES	25,100	25,000	24,900	100	200
ENGINEERING & MANAGEMENT SERVICES	20,200	20,300	18,700	- 100	1,500
OTHER SERVICES & NEC	28,100	29,200	26,900	- 1,100	1,200
GOVERNMENT	214,000	203,200	207,300	10,800	6,700
FEDERAL GOVERNMENT	34,000	34,300	33,600	- 300	400
STATE GOVERNMENT	57,000	57,700	55,400	- 700	1,600
EDUCATION	20,900	20,600	20,100	300	800
OTHER STATE	36,100	37,100	35,300	- 1,000	800
LOCAL GOVERNMENT	123,000	111,200	118,300	11,800	4,700
EDUCATION	73,500	60,600	70,600	12,900	2,900
OTHER LOCAL	49,500	50,600	47,700	- 1,100	1,800
LABOR-MANAGEMENT DISPUTES 10/	300	700	400	- 400	- 100

OREGON RESIDENT LABOR FORCE
(BY PLACE OF RESIDENCE)

	SEP. 1/ 1990	AUG.2/ 1990	SEP. 1989	CHANGE FROM AUG. 1990	CHANGE FROM SEP. 1989
CIVILIAN LABOR FORCE 3/	1,514,700	1,531,100	1,460,500	-16,400	54,200
UNEMPLOYMENT	80,900	79,100	74,400	1,800	6,500
PERCENT OF LABOR FORCE	5.3	5.2	5.1	XXX	XXX
SEASONALLY ADJUSTED PERCENT	5.9	5.5	5.7	XXX	XXX
TOTAL EMPLOYMENT 4/	1,433,800	1,452,000	1,386,100	-18,200	47,700

1/ Preliminary
2/ Revised
3/ Includes employed and unemployed individuals 16 years and older, adjusted for multiple job-holding and commuting.
4/ Includes nonagricultural wage and salary, self-employed, unpaid family workers, domestics, farm workers, and labor disputants.
5/ Includes full- and part-time nonfarm wage and salary workers in pay periods including the 12th of the month. Proprietors, self employed, private household workers and armed forces excluded. Note: These data are estimated in cooperation with the U.S. Bureau of Labor Statistics and the Employment and Training Administration. All data are based on the 1987 Standard Industrial Classification (SIC) codes.
6/ Total nonagricultural wage and salary employment, seasonally adjusted, and indexed to 1977. Data on the earlier index (1972 = 100) can be converted to the 1977 base period by multiplying by a factor of 0.8264, the ratio between 1972's annual average employment (774,300) and that of 1977 (936,900).
7/ Goods producing industries include manufacturing, mining, and construction.
8/ Service producing industries include transportation, communications, and utilities; trade; finance, insurance, and real estate; services; and government.
9/ Series break. Data for 1988 and thereafter are not comparable to those for 1987 and before.
10/ Employees involved in labor disputes are not included in wage and salary employment counts.

- Construction employment has been extremely strong throughout 1990. The second graph shows the consistent growth in construction employment over the past seven years, growth which has certainly continued throughout 1990. It is almost inconceivable that Oregon could be in recession even though the construction industry remained strong.
- An unemployment rate of 5.9% simply does not bear out a diagnosis of recession. Indeed, by historical definition, an unemployment rate of 6% indicated "full employment," a situation where only "healthy" job-changing unemployment was taking place.

So if we are not in recession, what is going on? I think that Oregon's economy is now at a significant crossroads. Two possibilities seem likely: we might be facing several months of painful, but not serious, economic stagnation, or we could indeed be heading for recession within a month or so. Much depends on the performance of the non-lumber industries of the manufacturing sector and the entire construction industry.

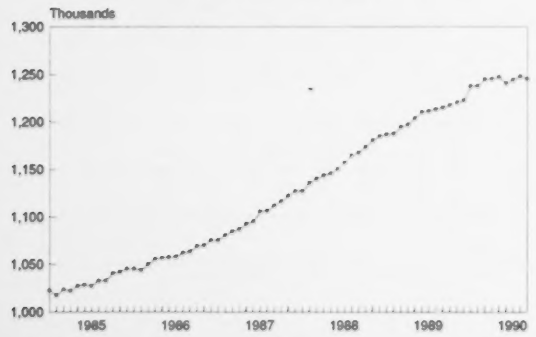
Enough rambling about the semantics of recession. Let's look at some specifics.

Aside from the unemployment rate and total nonfarm payroll employment, both discussed above, the single most significant factor in September was the employment loss in the lumber industry. Six more mills announced cutbacks, for a total loss of 800 jobs. The most severe (more than 300 layoffs) came at the Georgia Pacific mill in Coquille, near the Southern Oregon coast in Coos County. As is frequently the case, this lumber closure hit a small town where 300 jobs represents a large percentage of the manufacturing base.

A third graph shows lumber and wood products employment since 1985. While there are noticeable seasonal peaks and troughs, it is obvious that we are heading into this winter at a much lower level than in the past few years. Indeed, the solid line is drawn to demonstrate the average September employment level over the past four years. No rocket scientists are needed to figure out that we are substantially below that level as we head into this winter. Therefore, a combination of the usual winter slowdown and continuing layoffs due to the poor market conditions and timber supply problems are likely to make this a long, hard season for the industry.

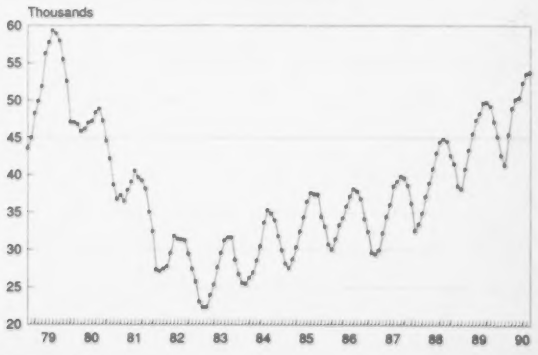
Data from the Employment Division's unemployment insurance (UI) records give some other interesting perspectives on the timber industry's current position. First, a graph of new UI claims shows clearly that unemployment in this

Graph 1
OREGON WAGE AND SALARY EMPLOYMENT
SEASONALLY ADJUSTED, 1985-1990*



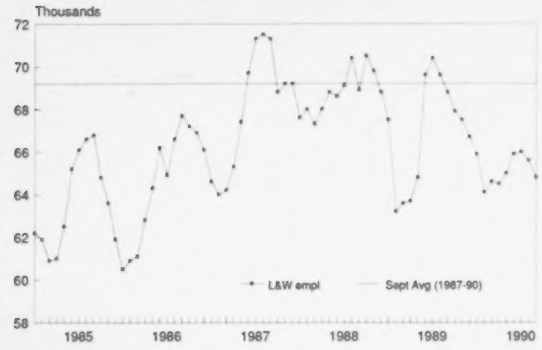
*1990 data adjusted for census and strike effects

Graph 2
OREGON CONSTRUCTION EMPLOYMENT
1979-1990, MONTHLY DATA*



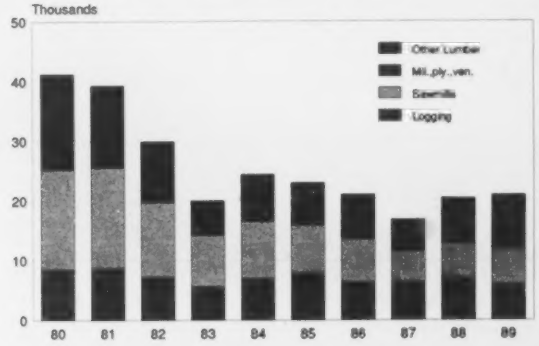
*Not seasonally adjusted

Graph 3
OREGON LUMBER & WOOD EMPLOYMENT
1985-1990, MONTHLY DATA*



*Not seasonally adjusted

Graph 4
NEW CLAIMS FOR UI BENEFITS
LUMBER AND WOOD PRODUCTS WORKERS



industry has increased the last couple of years. It is certain that the figures for 1990 will show a further jump.

. . . a special study of lumber and wood UI claimants. . . showed that one-fourth did not complete high school, while only 12% had any post-high school education.

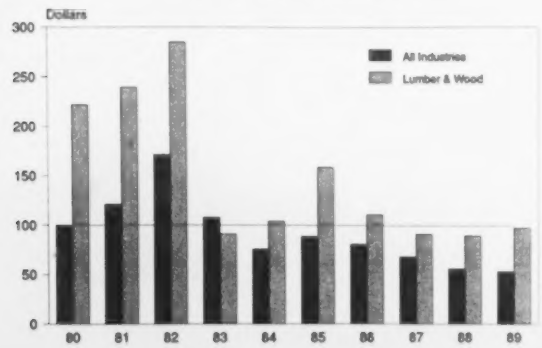
Another graph shows the amount of UI benefits paid out to claimants for every $100 dollars paid into the trust fund in UI taxes. Amazingly, even in good years, the volatile lumber industry pays out most of the UI tax dollars collected to those employees affected by the frequent temporary or permanent layoffs and/or shutdowns. (The solid line represents a "break-even" point.) Data for all industries, on the other hand, suggest that only half of the taxes collected are distributed back to claimants during the "good times." (It is this excess of taxes over benefits that builds the UI trust fund so that UI benefits are available during recessionary periods, when the tax collections are down, but claims rise rapidly.)

Finally, UI benefits data can give some interesting information about the "average" worker laid off from the lumber and wood products industry. Almost two-thirds of the lumber-related claimants in August were in the 20-39 age group, 93% were white, and 86% were male. Additional information from a special study of lumber and wood UI claimants in December 1989 through February 1990 showed that one-fourth did not complete high school, while only 12% had any post-high school education. Half were involved either in logging or the machine trades, with the rest spread amongst a diverse group of occupations ranging from professional and technical to processing and benchwork.

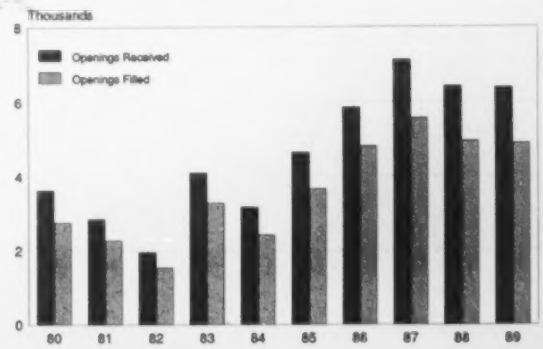
Finally, internal Employment Division data from the job placement side further confirms the slowdown in lumber activity over the past year. An accompanying graph shows a notable drop in the number of openings made available through Employment Division offices, with a comparable decline in the number of openings filled. Again, 1990 data are likely to show a further drop.

Going back to the September statistics, and moving on from the lumber industry, it is clear that September was a difficult month across a wide range of manufacturing industries. Transportation equipment was a major loser with jobs lost at Freightliner and in the ship repair segment. More weakness was evident in the nondurable goods sector where pulp and paper mills dropped 200 employees over the month. In addition, rubber and plastic products, which has averaged 400 new jobs every year since 1984, is currently at exactly the level of one year ago.

Graph 5
UI BENEFITS PAID PER $100 TAX COLLECTED
ALL INDUSTRIES AND L&W PRODUCTS



Graph 6
OPENINGS RECEIVED AND FILLED
OREGON LUMBER AND WOOD PRODUCTS



Retail trade employment was the only real source of misleading statistics in September. (The phrase "misleading statistics" is intended to alert readers that raw employment figures sometimes inadequately reflect what is happening in the economy. Recent examples of this would include the massive infusion of temporary jobs as a result of the U.S. Census and the apparent strength of the lumber industry early in 1990, only because thousands of lumber workers were on strike early in 1989.) Anyway, retail trade employment appeared to suffer major trauma in September, with the loss of 4,000 jobs. In reality, most of this decline was the result of a statistical quirk in August, when both replacement workers and returning strikers were counted as employees due to the timing of the grocery clerks' strike. In reality, retail employment is fairly strong, currently standing more than 7,000 above year ago levels.

Finally, services employment turned in a sluggish month, with lodging places and business services (each down 1,000) the big losers. Even though hotels employment took this dive, comparisons with year ago levels suggest that this has been a good summer for tourism in general. Hotels provided 1,200 more jobs this September than they did one year ago. The current level (20,500 employees) represents an all-time September high for the industry. Business services, long one of the growth favorites of the service sector, seems to have hit a minor slump, with employment down 700 over year ago levels.

Before bringing this to a close, one more reference to the R-word is necessary. Most Oregonians still remember quite vividly the severity of the recession we suffered in the early 1980s. It's important to recognize that this one (if it happens) will be different. On the negative side, the problems in the lumber industry are not just demand-driven, so the current trials cannot be viewed simply as "one more downturn." Depending on the long-range timber supply solutions, the lumber industry may be down for a long count. On the other hand, any recession which does come will most likely result in much lower levels of unemployment than those of the early eighties. While I refuse to be held accountable for the rest of this paragraph a year from now, we're expecting unemployment rates to increase to the 6.5% to 7% range next year. The unemployment rate during 1982 averaged 11.5%, substantially higher than anything expected this time around.

So my suggestion to those of you still reading is to be aware of the potential problems in the economy, keep your eyes on the Oregon construction industry as the main player in determining when and if we really enter a recession, and don't get confused by listening to too many economists. Of course, by the time you read this, two more weeks of economic news may have already made it clear whether it's time to use the R-word. □

AVERAGE HOURS AND EARNINGS OF OREGON INDUSTRIAL PRODUCTION WORKERS[1]

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	Aug.[2] 1990	July[3] 1990	Aug. 1989	Aug.[2] 1990	July[3] 1990	Aug. 1989	Aug.[2] 1990	July[3] 1990	Aug. 1989
TOTAL MANUFACTURING[4]	$431.82	$431.55	$419.23	39.4	38.6	39.7	$10.96	$11.18	$10.56
Durable Goods	447.08	440.74	436.80	39.6	38.9	40.0	11.29	11.33	10.92
Lumber & Wood Products	430.29	424.88	438.90	38.8	37.6	39.9	11.09	11.30	11.00
Logging & Sawmills	459.69	449.70	473.15	38.5	36.8	40.2	11.94	12.22	11.77
Veneer & Plywood	405.75	407.75	422.26	37.5	36.9	39.5	10.82	11.05	10.69
Millwork & Structural	389.09	384.87	368.00	40.7	40.3	39.4	9.56	9.55	9.34
Mobile Homes	385.06	361.44	345.08	41.9	37.3	38.6	9.19	9.69	8.94
Other Wood Products	412.11	420.59	419.29	39.1	38.8	40.2	10.54	10.84	10.43
Furniture & Fixtures	355.01	361.75	366.11	36.3	35.5	37.9	9.78	10.19	9.66
Primary Metals	483.49	485.20	497.96	38.1	38.6	42.2	12.69	12.57	11.80
Fabricated Metals	411.84	405.08	402.11	39.0	38.0	39.5	10.56	10.66	10.18
Machinery (Ex Electrical)	431.89	450.15	437.20	38.7	40.3	40.0	11.16	11.17	10.93
Nondurable Goods	396.63	410.02	378.67	39.0	38.0	39.2	10.17	10.79	9.66
Food & Kindred Products	314.88	325.53	312.04	38.4	36.7	39.3	8.20	8.87	7.94
Canning & Preserving	269.47	275.62	272.65	37.9	35.2	39.4	7.11	7.83	6.92
Other Food Products	435.01	436.69	413.90	39.8	40.1	38.9	10.93	10.89	10.64
Textile Mill Products	255.50	278.96	212.88	36.5	36.9	32.5	7.00	7.56	6.55
Apparel	268.16	233.13	263.07	38.2	33.4	39.5	7.02	6.98	6.66
Paper & Allied Products	623.78	651.66	604.75	40.4	41.8	41.0	15.44	15.59	14.75
Printing & Publishing	501.42	497.36	435.05	38.9	38.2	36.9	12.89	13.02	11.79
Construction[4]	583.31	594.82	577.54	38.2	38.4	38.4	15.27	15.49	15.04
Communications & Utilities[5]	564.59	559.38	548.22	39.9	38.9	41.5	14.15	14.38	13.21
Trade[5]	315.52	337.01	317.45	34.0	35.7	35.0	9.28	9.44	9.07
Wholesale Trade	421.01	450.04	410.97	38.1	39.1	37.6	11.05	11.51	10.93
Retail Trade	261.26	279.82	269.26	31.9	34.0	33.7	8.19	8.23	7.99
Banking & Insurance[5]	366.42	378.11	335.92	37.2	38.9	37.2	9.85	9.72	9.03
State & Local Government	444.70	446.53	421.36						

[1]Figures are average gross hours and earnings of full and part-time worked or paid for, including overtime and shift premium pay. Prepared in cooperation with the U.S. Department of Labor. All data are based on the 1987 Standard Industrial Classification (SIC) codes.
[2]Preliminary
[3]Revised
[4]Data for production workers only and exclude administrative, supervisory (above working foremen), technical, sales and office personnel.
[5]Data for nonsupervisory employees only, excluding proprietors and executive personnel. Data for retail trade excludes eating and drinking places.

BEYOND WORKFORCE 2000

Bob Baugh

(Editor's note: Mr. Baugh is the Manager of the Workforce Development Section, Oregon Economic Development Department, in Salem. He recently co-authored with Tami Miller, Policy Analyst with the Joint Legislative Committee on Trade and Economic Development, a white paper entitled "LESSONS FROM THE OLD WORLD - European Workforce Development Strategies for Oregon." Copies of this report will be available in late October from the authors.)

Workforce 2000 made us ask questions of ourselves that most other industrialized nations answered long ago. Our competitors in Asia and Europe recognized the links between education, employment, and training. They forged policies and programs to provide solid academic credentials and occupational skills. We have not. Their business and labor organizations are active partners with government and education. Ours are not. Their work force is competitive and prepared to meet the future. Ours is in jeopardy. This can be a crisis; and it can be an opportunity.

"ACROSS THE DEEP BLUE SEA"

Looking at the competition can provide both good ideas and practical applications. Europe, in particular, is facing demographic and economic changes similar to the United States and Oregon. But, Europe's existing education and job training systems are better equipped to manage changes than ours. Swedish employers say they are prepared because "Europeans have reached consensus on training as a key to entry into the labor market. In America a worker must gain entry and then be trained, maybe." A comparison of the education systems verifies this observation:

- Europe's high school dropout rate is under 10 and as low as 5 percent; ours has been as high as 30 percent.
- Sixty-five percent of all European students are enrolled in vocational, technical, and apprenticeship programs. In Oregon approximately 9 percent of grade 10-12 students are enrolled in vocational programs providing a "significant vocational experience" and 50 percent pursue "general studies."
- On-the-job work experience is a must for all European vocational students and instructors. Education is linked to the job market. No such requirements exist in Oregon.
- European students graduate sooner with more skill in vocational occupations than American students.

Vocational education in America lacks the status, funding, and private partners that make up our competitors' dynamic system of occupational training.

The most serious consequence of the disconnection between education and employment in the U.S. is the failure to produce competitive entry-level workers. The figures appearing in Table 1 confirm what has become obvious to many employers: there is a gap between education and work in the United States, a gap that doesn't exist in Denmark, Sweden, or Germany because European students learn job skills as part of the educational process. By comparison, American students generally must acquire skills on-the-job and at the expense of employers or themselves. It appears that American workers may lose up to ten of their most productive years in the labor market.

"CAN'T GET NO RESPECT"

The gap between school and work is the focus of the Report of The Commission on the Skills of the American Workforce. This new study, *America's Choice: High Skills or Low Wages**, contends our future economic growth is dependent upon a workforce that is not college bound and our future prosperity is linked to its development. It is blunt in its assessment that neither schools nor work are organized to produce the highly skilled, productive frontline workers critical to this future:

- "[We] balance our education budgets on the backs of our dropouts."

TABLE I
KEY ECONOMIC, EDUCATION & JOB TRAINING STATISTICS

	DENMARK	SWEDEN	GERMANY	OREGON
Population	5 Mil.	8 Mil.	65 Mil.	2.5 Mil.
High School Dropouts	5%	5%	5%	25%
Unemployment	7%	1.4%	8%	4-12%
Voc-Tech Enrollment*	65%	65%	65%	9%
Structured Work Exper in High Schl Voc-Tech**	100%	100%	100%	35%
High School Apprentice Program Enrollment	30-35%	NA	30-35%	0
General Education Program Enrollment	0	0	0	50%
Work Experience Rqmt for Instructors	YES	YES	YES	NO
Voc-Tech Instructor Continuing Educ Rqmt	YES	YES	YES	NO
Age of 1st Year Apprentice	16/17	16/17	16/17	26
Age of Journeymen	19/20	19/20	19/20	29/30
Average Age of College Level Voc-Tech Student	20	20	20	30

**Based on a grade 10-12 comparison. European voc-tech is a highly structured full-time experience. In 1989, 8,600 Oregon grade 10-12 students engaged in a "significant vocational experience" of 3 hours per day for one year.*

***Structured Work Experience is a formal course requirement in Sweden, Denmark and Germany, and 100 percent of students enrolled in vocational programs participate in on-the-job training for which they receive course credit. By comparison, only 35 percent of the 9 percent of Oregon students in significant vocational experiences engage in a structured work experience which is usually not required, very limited, and for which the student is unlikely to receive any educational credit.*

Source: "LESSONS FROM THE OLD SCHOOL," a white paper on European education and job training systems; Tami Miller and Bob Baugh, authors; published October 1990.

- "Over 90 percent [of employers] view a high school diploma as a sign of an applicant's reliability and staying power. Holding a diploma distinguishes applicants by proving they did not drop out."
- "All told, 70 percent of the present jobs in America will not require a [4 year] college education by the year 2000. These jobs form the backbone of our economy, and the productivity of workers in these jobs will make or break our economy in the future."
- "Other advanced industrial nations provide 'professionalized' education to non-college educated workers to prepare them for trades and ease their school-to-work transition. The United States does not."

The vocational programs that do exist in the U.S. are limited and often lack respect. The pioneering 1988 MIT study of productivity, *Made in America*, notes that vocational education programs enroll some five million students annually but "employers do not see high school programs as a prime source of skilled or even trainable workers." In fact, having participated often "stigmatizes workers in the eyes of employers." Vocational education in America lacks the status, funding, and private partners that make up our competitors' dynamic system of occupational training.

Less than 10 percent of all workers receive any formal training and most of those are "managers and technical elites."

"MIRROR, MIRROR, ON THE WALL"

The problems confronting occupational training in the education system are mirrored in the private sector. *Made in America* found "most workplace training unstructured and often nonexistent." In spite of the billions of dollars employers report spending on workplace training, it represents less than 1.5 percent of total payroll costs. Less than 10 percent of all workers receive any formal training and most of those are "managers and technical elites." These and other findings led the MIT researchers to conclude:

- "There seems to be a systematic under-evaluation in this country of how much difference it can make when people are well-educated and when their skills are continuously developed and challenged."
- "The origins of the problem lie not in the disappearance or weakening of basic American values and capabilities, but in the institutions that educate Americans for work."
- "Without major changes in the ways schools and firms train workers over the course of a lifetime no amount of macroeconomic fine tuning or technological innovation will be able to produce significantly improved economic performance and a rising standard of living."

The crisis of a workforce and workplace out of sync with each other and our competitors provides the seeds of opportunity for the 1990s.

"WAKE UP AND SMELL THE '90S"

Workforce 2000 is a wake-up call for America. The crisis of a workforce and workplace out of sync with each other and our competitors provides the seeds of opportunity for the 1990s. The challenge is substantial. It will mean developing an education and training system that provides both academic and occupational skills. It will require investments in the existing workforce. It will take new types of partnership between business, labor, government, and education. This is more than policy; it is reshaping the American culture of work and education.

On the national level, The Commission on the Skills of the American Workforce has developed an aggressive agenda to produce a better-educated, better-trained workforce.

It has proposed a five-point plan:

- Create a new educational performance standard, benchmarked to the highest in the world, to be met by all American students at age 16.
- Create new alternative learning environments to recover virtually all of our dropouts and take responsibility for helping them meet this new educational standard.
- Establish comprehensive job-specific training and certification programs to "professionalize" non-college occupations.
- Provide all employers with incentives to invest in further training and education of their frontline workers, and assist them to reorganize work to make use of these new skills.
- Develop local employment and training boards to pull together the pieces of this new high performance education and training system.

The Commission proposal is a significant departure from the way we currently do business. Canada arrived at similar conclusions a couple of years ago and is now in the process of implementing a number of these ideas.

"BRINGING IT BACK HOME"

Laboratory of Democracy author David Osborne cites an "explosion of innovation" at the state level grappling with issues only being debated at the national level. This is true in Oregon. Here and in other states economic development and workforce development have converged as issues. After a year of research and debate, "A Superior Workforce" emerged as the primary goal in Oregon's strategic plan for economic development. *Oregon Shines* identified institutional partnerships as critical to building "a workforce that is measurably the most competent in America by the year 2000 and equal to any in the world by 2010."

The Legislature responded with policy and tools in support of this goal. In 1989, the Trade and Economic Development Committee developed and passed the Workforce 2000 Act. The Progress Board was established to keep Oregon focused on the future and the goals of *Oregon Shines*. The Workforce 2000 programs are small compared to the state's budget, but they are strategic. The Act has enabled Oregon to take important basic steps in new directions.

"TOOLS AT WORK"

Innovation, cooperation, partnership, and planning are the points of the Workforce 2000 Act. On the policy side it explicitly linked state economic development strategies and education planning. The Economic Development Department was given overall responsibility for the $8 million in funding. The programs within the Act are tools to support policy development, innovation, and partnerships:

- Workforce Assessment - Oregon is the first state to comprehensively assess the functional literacy of its workforce.
- Occupational Program Planning System is a sophisticated employment history tracking system to evaluate training effectiveness.
- 2+2 Vocational Education helps upgrade high school training with technology education, linking vocational and academic education, and linking secondary and community college occupational training.
- Key Industry and Targeted Training helps organize businesses within an industry to meet their joint training needs in cooperation with community colleges.

- Skill Centers and Advanced Technology Centers cover the workforce spectrum. The basic skills are offered at centers in Coos Bay, Grants Pass, McMinnville, and Portland. The Advanced Technology Center in Wilsonville focuses on cutting-edge manufacturing technology and skills upgrade.

The early results of the Workforce 2000 Act are encouraging. Collaborative competition is taking place as businesses in industries like metals, plastics, and semiconductors band together around their joint training needs. Community colleges are engaged in unprecedented cooperative efforts around the Advanced Technology Center and Key Industry initiatives. Shop class is being replaced by Technology Education while applied academics is used to integrate math and physics with computer education. These are exciting changes designed to give workers and students new skills. But, there is a long way to go.

"YOU GOTTA MOVE"

The next step for Workforce 2000 and beyond is to fully develop business and labor as partners. Developing dynamic partners that will help identify needs, build curriculum, provide work experience opportunities, invest in their own employees, and help reform our education and training system must be a priority. The reality is that business and labor organizations do not have the internal capacity to act as institutional partners. Yet, we pursue policy that says they must be. It is like building a house by starting with the roof.

"Being on the right track is not enough; you have to move relatively fast not to be run over."

Government, business, and labor can help each other in building a real foundation for partnership. Government should invest in building the capacity of business and labor organizations to be actively involved in training issues. The private sector partners could then market, organize, recruit, and train their members for effective participation in a training system. Business and Labor should be encouraged to support private sector financing of training. Since 1983, California business has taxed itself to create a fund that generates $100 million annually to retrain and upgrade workers. It will take bold steps on everyone's part to build effective institutional partnerships.

Oregon can have a 21st century world class workforce. It will require vision and commitment to get there. Employers must invest in training their entire workforce. Education must invest in a system that educates students for work. Employers, educators, and workers must work together. The 1990s are Oregon's window of opportunity. The world won't wait for us. "Being on the right track is not enough; you have to move relatively fast not to be run over." Mark Twain knew what he was talking about. □

**Copies of this report are available prepaid from:*

National Center on Education and the Economy
39 State Street, Suite 500
Rochester, New York 14614
Phone: (716)546-7620

CROSLEY NAMED TO RESEARCH POST

We in the Employment Division, and especially the staff of Research and Statistics, would like to welcome and congratulate Virlena Crosley for her recent appointment as the Assistant Administrator for Research and Statistics for the Oregon Employment Division.

Ms. Crosley, a 23-year veteran of state government, replaces Don Steward who retired from the top research post this summer.

Ms. Crosley most recently served as chief budget officer for the Oregon Department of Transportation. She also has worked as Legislation and Rules Supervisor for the Motor Vehicles Division and as Manager of Policy Analysis for the Oregon Department of Revenue.

The Assistant Administrator for Research and Statistics is in charge of approximately 45 employees, including 8 regional economists located around the state. The research unit is responsible for a wide range of labor market information (including *Oregon Labor Trends* and other LMI publications), data services, demographics, current statistics, and occupational research.

LMI LABOR MARKET INFORMATION

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